

KOSSUTH COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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KOSSUTH COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eugene Elsbecker	Board of Supervisors	Jan. 2009
Jack Plathe	Board of Supervisors	Jan. 2009
Donald Besch	Board of Supervisors	Jan. 2011
Pam Wymore	Board of Supervisors	Jan. 2011
Donald G. McGregor	Board of Supervisors	Jan. 2011
Joann Bormann	County Auditor	Jan. 2009
Nicholas P. Rahm	County Treasurer	Jan. 2011
Karen Benschoter	County Recorder	Jan. 2011
Paul Gronbach	County Sheriff	Jan. 2009
Todd Holmes	County Attorney	Jan. 2011
K. Donald Patton	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Kossuth County:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Kossuth County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Kossuth County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kossuth County as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2009 on our consideration of Kossuth County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 50 through 53 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The County has not presented Management's Discussion and Analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kossuth County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 30, 2009

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Basic Financial Statements

KOSSUTH COUNTY
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 9,289,646	\$ 167,123	\$ 9,456,769
Receivables:			
Property tax:			
Delinquent	12,623	-	12,623
Succeeding year	7,013,000	-	7,013,000
Interest and penalty on property tax	53,111	-	53,111
Accounts	66,111	107,510	173,621
Accrued interest	87,534	2,877	90,411
Drainage assessments	41,167	-	41,167
Due from other governments	495,980	-	495,980
Inventories	375,561	-	375,561
Restricted cash and pooled investments	-	672,553	672,553
Capital assets, net of accumulated depreciation (note 5)	38,672,347	898,601	39,570,948
Total assets	56,107,080	1,848,664	57,955,744
Liabilities			
Accounts payable	742,396	72,626	815,022
Salaries and benefits payable	237,060	11,637	248,697
Due to other governments (note 6)	552,418	-	552,418
Accrued interest payable	72	-	72
Incurred but not reported claims	115,171	-	115,171
Deferred revenue:			
Succeeding year property tax	7,013,000	-	7,013,000
Long-term liabilities (note 7):			
Portion due or payable within one year:			
Rural development loan	60,000	-	60,000
Capital loan notes	41,655	-	41,655
Drainage warrants	329,403	-	329,403
Compensated absences	319,531	9,002	328,533
Portion due or payable after one year:			
Estimated liability for landfill closure and postclosure care	-	665,655	665,655
Rural development loan	180,000	-	180,000
Capital loan notes	132,611	-	132,611
Total liabilities	9,723,317	758,920	10,482,237

KOSSUTH COUNTY
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 38,258,081	\$ 898,601	\$ 39,156,682
Restricted for:			
Supplemental levy purposes	1,060,245	-	1,060,245
Rural services	964,310	-	964,310
Secondary roads	2,195,410	-	2,195,410
Other special revenue purposes	54,165	-	54,165
Closure and postclosure care	-	6,898	6,898
Unrestricted	<u>3,851,552</u>	<u>184,245</u>	<u>4,035,797</u>
Total net assets	<u>\$ 46,383,763</u>	<u>\$ 1,089,744</u>	<u>\$ 47,473,507</u>

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Governmental Activities:				
Public safety and legal services	\$ 2,318,415	\$ 218,512	\$ 28,901	\$ -
Physical health and social services	337,981	11,320	181,537	-
Mental health	2,247,725	21,032	999,776	-
County environment and education	1,185,199	116,228	47,310	121,523
Roads and transportation	7,824,189	166,060	4,161,881	426,854
Government services to residents	607,755	355,457	913	-
Administration	1,407,003	84,566	-	-
Non-program	67,539	-	-	-
Interest on long-term debt	22,031	-	-	-
Total governmental activities	16,017,837	973,175	5,420,318	548,377
Business-type Activities:				
Landfill/Transfer Station	861,924	834,694	-	-
Total	\$ 16,879,761	\$ 1,807,869	\$ 5,420,318	\$ 548,377

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,071,002)	\$ -	\$ (2,071,002)
(145,124)	-	(145,124)
(1,226,917)	-	(1,226,917)
(900,138)	-	(900,138)
(3,069,394)	-	(3,069,394)
(251,385)	-	(251,385)
(1,322,437)	-	(1,322,437)
(67,539)	-	(67,539)
(22,031)	-	(22,031)
(9,075,967)	-	(9,075,967)
-	(27,230)	(27,230)
(9,075,967)	(27,230)	(9,103,197)

KOSSUTH COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

General Revenues (Expenses):

Property and other county tax levied for:

General purposes

Penalty and interest on property tax

State tax credits

Payments in lieu of taxes

Local option sales and services tax

Unrestricted investment earnings

Drainage assessments

Miscellaneous

Loss on disposal of capital assets

Total general revenues (expenses)

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ 6,670,191	\$ -	\$ 6,670,191
12,639	-	12,639
440,490	-	440,490
13,998	-	13,998
818,982	-	818,982
329,145	48,233	377,378
314,400	-	314,400
215,339	10,000	225,339
-	(19,541)	(19,541)
8,815,184	38,692	8,853,876
(260,783)	11,462	(249,321)
46,644,546	1,078,282	47,722,828
<u>\$ 46,383,763</u>	<u>\$ 1,089,744</u>	<u>\$ 47,473,507</u>

KOSSUTH COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 3,185,249	\$ 244,162	\$ 857,452	\$ 2,299,719
Receivables:				
Property tax:				
Delinquent	8,568	2,246	1,809	-
Succeeding year	4,084,000	1,070,000	1,859,000	-
Interest and penalty on property tax	53,111	-	-	-
Accounts	56,742	4,050	-	3,890
Accrued interest	18,079	-	-	-
Drainage assessments	-	-	-	-
Due from other funds (note 3)	-	-	-	5,303
Due from other governments	23,590	19,871	117,996	329,437
Inventories	-	-	-	375,561
Total assets	\$ <u>7,429,339</u>	\$ <u>1,340,329</u>	\$ <u>2,836,257</u>	\$ <u>3,013,910</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 370,680	\$ 6,957,262
-	12,623
-	7,013,000
-	53,111
1,429	66,111
4,950	23,029
41,167	41,167
-	5,303
5,086	495,980
-	375,561
<u>\$ 423,312</u>	<u>\$ 15,043,147</u>

KOSSUTH COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 62,499	\$ 89,553	\$ 12,946	\$ 477,181
Salaries and benefits payable	47,905	2,434	1	186,720
Due to other funds (note 3)	5,303	-	-	-
Due to other governments (note 6)	15,453	535,838	-	1,127
Deferred revenue:				
Succeeding year property tax	4,084,000	1,070,000	1,859,000	-
Other	61,597	2,245	1,809	-
Total liabilities	<u>4,276,757</u>	<u>1,700,070</u>	<u>1,873,756</u>	<u>665,028</u>
Fund balances:				
Reserved for:				
Inventories	-	-	-	375,561
Supplemental levy purposes	1,077,027	-	-	-
Drainage warrants	-	-	-	-
Unreserved:				
Designated for nature center	90,000	-	-	-
Undesignated, reported in:				
General fund	1,985,555	-	-	-
Special revenue funds	-	(359,741)	962,501	1,973,321
Total fund balances	<u>3,152,582</u>	<u>(359,741)</u>	<u>962,501</u>	<u>2,348,882</u>
Total liabilities and fund balances	<u>\$ 7,429,339</u>	<u>\$ 1,340,329</u>	<u>\$ 2,836,257</u>	<u>\$ 3,013,910</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 39,672	\$ 681,851
-	237,060
-	5,303
-	552,418
-	7,013,000
41,167	106,818
<u>80,839</u>	<u>8,596,450</u>
-	375,561
-	1,077,027
56,010	56,010
-	90,000
-	1,985,555
286,463	2,862,544
<u>342,473</u>	<u>6,446,697</u>
<u>\$ 423,312</u>	<u>\$ 15,043,147</u>

KOSSUTH COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total fund balances of governmental funds	\$ 6,446,697
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$82,247,500 and the accumulated depreciation is \$43,575,153.	38,672,347
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	106,818
The Internal Service Funds are used by management to charge the costs of the self funding of the County's health insurance benefit plan and the employee flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	2,221,173
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(72)
Long-term liabilities, including loans, notes and drainage warrants payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,063,200)</u>
Net assets of governmental activities	<u><u>\$ 46,383,763</u></u>
See notes to financial statements.	

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KOSSUTH COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 4,211,921	\$ 685,411	\$ 2,595,915	\$ -
Interest and penalty on property tax	40,243	-	-	-
Intergovernmental	543,686	1,046,176	122,964	4,340,826
Licenses and permits	4,085	-	-	25,817
Charges for service	592,010	14,679	-	63,740
Use of money and property	259,464	-	-	214,476
Miscellaneous	27,218	6,353	-	45,632
Total revenues	5,678,627	1,752,619	2,718,879	4,690,491
Expenditures:				
Operating:				
Public safety and legal services	2,345,343	-	-	-
Physical health and social services	344,962	-	-	-
Mental health	-	2,258,834	-	-
County environment and education	596,976	-	177,878	-
Roads and transportation	-	-	182,898	5,790,134
Government services to residents	620,926	-	-	-
Administration	1,466,762	-	1,573	-
Non-program	67,539	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	462,946	834,587
Total expenditures	5,442,508	2,258,834	825,295	6,624,721
Excess (deficiency) of revenues over (under) expenditures	236,119	(506,215)	1,893,584	(1,934,230)
Other financing sources (uses):				
Sale of capital assets	11,410	-	-	-
Interfund transfers in (note 4)	-	-	-	2,040,891
Interfund transfers out (note 4)	(176,865)	-	(1,894,026)	-
Drainage warrants issued	-	-	-	-
Total other financing sources (uses)	(165,455)	-	(1,894,026)	2,040,891

Nonmajor Governmental Funds	Total
\$ -	\$ 7,493,247
-	40,243
26,524	6,080,176
-	29,902
4,123	674,552
4,950	478,890
530,006	609,209
<u>565,603</u>	<u>15,406,219</u>

3,421	2,348,764
-	344,962
-	2,258,834
-	774,854
-	5,973,032
5,000	625,926
-	1,468,335
-	67,539
403,754	403,754
705,847	2,003,380
<u>1,118,022</u>	<u>16,269,380</u>

<u>(552,419)</u>	<u>(863,161)</u>
------------------	------------------

-	11,410
145,041	2,185,932
(115,041)	(2,185,932)
405,506	405,506
<u>435,506</u>	<u>416,916</u>

KOSSUTH COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ 70,664	\$ (506,215)	\$ (442)	\$ 106,661
Fund balances beginning of year	3,081,918	146,474	962,943	2,242,221
Fund balances end of year	<u>\$ 3,152,582</u>	<u>\$ (359,741)</u>	<u>\$ 962,501</u>	<u>\$ 2,348,882</u>

See notes to financial statements.

Nonmajor Governmental Funds		Total
\$	(116,913)	\$ (446,245)
	459,386	6,892,942
\$	<u>342,473</u>	\$ <u>6,446,697</u>

KOSSUTH COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ (446,245)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlay
expenditures and depreciation expense in the current year are as follows:

	Expenditures for capital assets	\$ 2,488,790	
Capital assets contributed by the Iowa Department of Transportation		278,780	
Depreciation expense		<u>(3,020,780)</u>	(253,210)

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds, as follows:

	Property tax	(3,950)	
Drainage assessments		(12,971)	
Other		<u>(27,604)</u>	(44,525)

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds, but issuing debt increases long-term liabilities in the
Statement of Net Assets. (405,506)

Repayments of loan, note and drainage warrants principal are expenditures in
the governmental funds, but the repayments reduce long-term liabilities in
the Statement of Net Assets. 381,370

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in the governmental funds, as follows:

	Compensated absences	(26,200)	
Interest on long-term debt		<u>353</u>	(25,847)

The Internal Service Funds are used by management to charge the costs of
the self funding of the County's health insurance benefit plan and the
employee flexible benefit plan to individual funds. The change in net assets
of the Internal Service Funds is reported with governmental activities. 533,180

Change in net assets of governmental activities \$ (260,783)

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Business-type Activities <u>Enterprise</u> Fund - Landfill/ Transfer Station	Governmental Activities <u>Internal</u> Service Funds
Assets		
Current assets:		
Cash and pooled investments	\$ 167,123	\$ 2,332,384
Receivables:		
Accounts	107,510	-
Accrued interest	2,877	64,505
Total current assets	<u>277,510</u>	<u>2,396,889</u>
Non-current assets:		
Restricted cash and pooled investments	672,553	-
Capital assets, net of accumulated depreciation (note 5)	898,601	-
Total non-current assets	<u>1,571,154</u>	<u>-</u>
Total assets	<u>1,848,664</u>	<u>2,396,889</u>
Liabilities		
Current liabilities:		
Accounts payable	72,626	60,545
Salaries and benefits payable	11,637	-
Incurred but not reported claims	-	115,171
Estimated liability for landfill closure and postclosure care (note 7)	37,089	-
Compensated absences (note 7)	9,002	-
Total current liabilities	<u>130,354</u>	<u>175,716</u>
Non-current liabilities:		
Estimated liability for landfill closure and postclosure care (note 7)	<u>628,566</u>	<u>-</u>
Total liabilities	<u>758,920</u>	<u>175,716</u>
Net Assets		
Invested in capital assets	898,601	-
Restricted for closure and postclosure care	6,898	-
Unrestricted	<u>184,245</u>	<u>2,221,173</u>
Total net assets	<u>\$ 1,089,744</u>	<u>\$ 2,221,173</u>

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Business-type Activities <u>Enterprise Fund - Landfill/ Transfer Station</u>	Governmental Activities <u>Internal Service Funds</u>
Operating revenues:		
Charges for service	\$ 834,249	\$ -
Miscellaneous:		
Reimbursements from operating funds	-	1,363,144
Reimbursements from employees and others	445	66,015
Total operating revenues	<u>834,694</u>	<u>1,429,159</u>
Operating expenses:		
Governmental activities:		
Medical claims	-	803,581
Administrative and network access fees	-	54,127
Stop-loss premiums	-	143,441
Business-type activities:		
Closure and postclosure care	12,377	-
Depreciation	70,078	-
Other	779,469	-
Total operating expenses	<u>861,924</u>	<u>1,001,149</u>
Operating income (loss)	(27,230)	428,010
Non-operating revenues:		
Interest on investments	48,233	105,170
Miscellaneous income	10,000	-
Total non-operating revenues	<u>58,233</u>	<u>105,170</u>
Non-operating expenses:		
Loss on disposal of capital assets	19,541	-
Net income	11,462	533,180
Net assets beginning of year	<u>1,078,282</u>	<u>1,687,993</u>
Net assets end of year	<u>\$ 1,089,744</u>	<u>\$ 2,221,173</u>

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Business-type Activities <u>Enterprise</u> Fund - Landfill/ Transfer Station	Governmental Activities <u>Internal</u> Service Funds
Cash flows from operating activities:		
Cash received from operating fund reimbursements	\$ -	\$ 1,363,144
Cash received from employees and others	-	66,015
Cash received from customers	798,271	-
Cash paid to suppliers for services	<u>(678,035)</u>	<u>(1,005,128)</u>
Net cash provided by operating activities	<u>120,236</u>	<u>424,031</u>
Cash flows from investing activities:		
Interest on investments	48,843	63,902
Miscellaneous	10,000	-
Redemption of investments	762,813	1,040,252
Purchase of investments	<u>(434,313)</u>	<u>(1,340,806)</u>
Net cash provided by (used by) investing activities	<u>387,343</u>	<u>(236,652)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(488,036)	-
Sale of capital assets	<u>185,866</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(302,170)</u>	<u>-</u>
Net increase in cash and cash equivalents	205,409	187,379
Cash and cash equivalents at beginning of year	<u>199,954</u>	<u>290,098</u>
Cash and cash equivalents at end of year	<u>\$ 405,363</u>	<u>\$ 477,477</u>

KOSSUTH COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	<u>Business-type Activities Enterprise Fund - Landfill/ Transfer Station</u>	<u>Governmental Activities Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (27,230)	\$ 428,010
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	70,078	-
(Increase) in accounts receivable	(36,423)	-
Increase (decrease) in accounts payable and other current liabilities	25,421	(3,979)
Increase in liability for closure and postclosure care costs	<u>88,390</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 120,236</u>	<u>\$ 424,031</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:		
Current assets:		
Cash and pooled investments	\$ 167,123	\$ 2,332,384
Restricted assets:		
Cash and pooled investments	<u>672,553</u>	<u>-</u>
	839,676	2,332,384
Less items not meeting the definition of a cash equivalent:		
Certificates of deposit	<u>(434,313)</u>	<u>(1,854,907)</u>
Cash and cash equivalent at end of year	<u>\$ 405,363</u>	<u>\$ 477,477</u>

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

Assets

Cash and pooled investments:

County Treasurer	\$ 997,574
Other County officials	43,109

Receivables:

Property tax:

Delinquent	42,993
Succeeding year	16,503,000

Accounts	18,073
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Accrued interest	704
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Special assessments	53,821
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Drainage assessments	<u>533,666</u>
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Total assets	<u>\$ 18,192,940</u>
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Liabilities

Accounts payable	\$ 41,935
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Salaries and benefits payable	824
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Due to other governments (note 6)	17,887,251
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Trusts payable	11,370
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Drainage warrants payable	231,495
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Compensated absences	<u>20,065</u>
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Total liabilities	<u>\$ 18,192,940</u>
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See notes to financial statements.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies

Kossuth County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Kossuth County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Kossuth County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Five hundred ninety-seven drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, some are controlled, managed and supervised by the Kossuth County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Kossuth County Auditor's office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Kossuth County Assessor's Conference Board, Kossuth County Emergency Management Commission, and Kossuth County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The County reports the following major proprietary, enterprise fund:

The Landfill/Transfer Station Fund is used to account for the operation of the County's sanitary landfill and transfer station.

Additionally, the County reports the following funds:

Proprietary Fund - Internal Service Funds are used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary funds of the County apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2008 included \$2,289,220 of certificates of deposit with maturity dates longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent amounts assessed to individuals for work done that benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the applicable governmental activities or business-type activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$4,281,028.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any County function.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 2. Cash and Pooled Investments (continued)

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$150,972 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in Iowa Public Agency Investment Trust is unrated.

Note 3. Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ <u><u>5,303</u></u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 146,865
	Special Revenue: Rural Services	1,894,026
Conservation Land Acquisition	General	30,000
Water's Edge Nature Center	Capital Projects: Nature Center Project	<u>115,041</u>
		<u>\$ 2,185,932</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,581,462	\$ -	\$ -	\$ 1,581,462
Construction in progress	1,080,211	582,953	1,663,164	-
Total capital assets not being depreciated	<u>2,661,673</u>	<u>582,953</u>	<u>1,663,164</u>	<u>1,581,462</u>
Capital assets being depreciated:				
Buildings	5,443,966	1,130,712	-	6,574,678
Improvements other than buildings	357,269	62,104	-	419,373
Machinery and equipment	11,962,220	991,801	609,409	12,344,612
Infrastructure	59,664,211	1,663,164	-	61,327,375
Total capital assets being depreciated	<u>77,427,666</u>	<u>3,847,781</u>	<u>609,409</u>	<u>80,666,038</u>
Less accumulated depreciation for:				
Buildings	1,863,104	130,532	-	1,993,636
Improvements other than buildings	55,183	23,497	-	78,680
Machinery and equipment	7,270,004	867,681	609,409	7,528,276
Infrastructure	31,975,491	1,999,070	-	33,974,561
Total accumulated depreciation	<u>41,163,782</u>	<u>3,020,780</u>	<u>609,409</u>	<u>43,575,153</u>
Total capital assets being depreciated, net	<u>36,263,884</u>	<u>827,001</u>	<u>-</u>	<u>37,090,885</u>
Governmental activities capital assets, net	<u>\$ 38,925,557</u>	<u>\$ 1,409,954</u>	<u>\$ 1,663,164</u>	<u>\$ 38,672,347</u>

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 261,000	\$ -	\$ -	\$ 261,000
Construction in progress	36,989	373,613	410,602	-
Total capital assets not being depreciated	<u>297,989</u>	<u>373,613</u>	<u>410,602</u>	<u>261,000</u>
Capital assets being depreciated:				
Buildings	246,630	410,602	-	657,232
Equipment and vehicles	967,612	114,423	339,610	742,425
Total capital assets being depreciated	<u>1,214,242</u>	<u>525,025</u>	<u>339,610</u>	<u>1,399,657</u>
Less accumulated depreciation for:				
Buildings	110,547	25,008	-	135,555
Equipment and vehicles	715,634	45,070	134,203	626,501
Total accumulated depreciation	<u>826,181</u>	<u>70,078</u>	<u>134,203</u>	<u>762,056</u>
Total capital assets being depreciated, net	<u>388,061</u>	<u>454,947</u>	<u>205,407</u>	<u>637,601</u>
Business-type activities capital assets, net	<u>\$ 686,050</u>	<u>\$ 828,560</u>	<u>\$ 616,009</u>	<u>\$ 898,601</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 110,067
Physical health and social services	7,913
Mental health	5,916
County environment and education	66,979
Roads and transportation	2,745,898
Government services to residents	37,620
Administration	<u>46,387</u>

Total depreciation expense - governmental activities \$ 3,020,780

Business-type activities:

Landfill/Transfer Station	<u>\$ 70,078</u>
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KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 15,453
Special Revenue:		
Mental Health		535,838
Secondary Roads		<u>1,127</u>
Total for governmental funds		<u>\$ 552,418</u>
Agency:		
County Assessor	Collections	\$ 419,789
Schools		11,565,101
Community Colleges		658,375
Corporations		3,683,235
Townships		306,215
Auto License and Use Tax		316,320
Drainage Districts		355,474
All Other		<u>582,742</u>
Total for agency funds		<u>\$ 17,887,251</u>

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2008 is as follows:

	<u>Rural Development Loan</u>	<u>Capital Loan Notes</u>	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 300,000	\$ 215,000	\$ 204,533	\$ 293,331	\$ 1,012,864
Increases	-	-	405,506	319,531	725,037
Decreases	<u>60,000</u>	<u>40,734</u>	<u>280,636</u>	<u>293,331</u>	<u>674,701</u>
Balance end of year	<u>\$ 240,000</u>	<u>\$ 174,266</u>	<u>\$ 329,403</u>	<u>\$ 319,531</u>	<u>\$ 1,063,200</u>
Due within one year	<u>\$ 60,000</u>	<u>\$ 41,655</u>	<u>\$ 329,403</u>	<u>\$ 319,531</u>	<u>\$ 750,589</u>

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

Rural Development Loan

A summary of the County's rural development loan at June 30, 2008 is as follows:

Year Ending June 30,	Principal
2009	\$ 60,000
2010	60,000
2011	60,000
2012	<u>60,000</u>
	<u>\$ 240,000</u>

Capital Loan Notes

A summary of the County's capital loan notes at June 30, 2008 is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.00 %	\$ 41,655	\$ 5,228	\$ 46,883
2010	3.00	42,905	3,978	46,883
2011	3.00	44,192	2,691	46,883
2012	3.00	<u>45,514</u>	<u>1,369</u>	<u>46,883</u>
		<u>\$ 174,266</u>	<u>\$ 13,266</u>	<u>\$ 187,532</u>

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are written. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefitted properties.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

A summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2008 is as follows:

	Landfill Closure and Postclosure Care	Compensated Absences	Total
Balance beginning of year	\$ 577,265	\$ 12,263	\$ 589,528
Increases	88,390	9,002	97,392
Decreases	-	12,263	12,263
Balance end of year	<u>\$ 665,655</u>	<u>\$ 9,002</u>	<u>\$ 674,657</u>
Due within one year	<u>\$ -</u>	<u>\$ 9,002</u>	<u>\$ 9,002</u>

Closure and Postclosure Care Costs

To comply with federal and state regulations, the County is required to complete a monitoring system plan, a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology or applicable laws and regulations.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

Closure and Postclosure Care Costs (continued)

The total costs for Kossuth County have been estimated at \$143,100 for closure and \$708,000 for postclosure care, for a total of \$851,100 as of June 30, 2008, and the portion of the liability that has been recognized is \$665,655. This liability represents the cumulative amount reported to date based on the overall use of the capacity of the landfill, which was closed and converted to a transfer station as of November 26, 2007. The Iowa Department of Natural Resources has granted a waiver to extend the pay-in period for postclosure costs five years until July 31, 2012. The annual deposit needed over the next five years is projected at \$37,089. A provision for the above liability has been made on the County's Enterprise Fund Statement of Net Assets as of June 30, 2008.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The County has begun to accumulate resources to fund these costs and, at June 30, 2008, deposits of \$672,553 are held for these purposes, of which \$150,000 has been reserved for closure and \$522,553 for postclosure care. They are reported as restricted assets on the Statement of Net Assets.

Also, pursuant to Section 567, Chapter 113.14(6) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure costs are not fully funded, the County is required to demonstrate financial assurance for the unfunded costs. The County has adopted the local government financial test mechanism. Under this mechanism, the County must certify the following to the Iowa Department of Natural Resources:

- A ratio of cash and investments to total expenditures of greater than or equal to .05 for the previous two fiscal years.
- A ratio of annual debt service to total expenditures less than or equal to .20 for the previous two fiscal years.
- The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles.
- The County is not in default on any outstanding general obligation bonds.
- The County has no outstanding general obligation bonds rated lower than Baa.
- The County did not operate at a deficit equal to 5 percent or more of total annual revenue in each of the past two fiscal years.
- The County did not receive an adverse opinion or disclaimer of opinion on its financial statements in each of the past two fiscal years.

The County has demonstrated compliance with the above requirements.

Note 8. Economic Development Loan

During the year ended June 30, 2004, the County sold the County Care Facility to Rabiner Treatment Center for \$90,000. Under the agreement, \$40,000 was paid to the County with the balance of \$50,000 considered an interest-free economic development loan from the County to Rabiner Treatment Center. The loan was to be payable to the County November 1, 2006. In July 2006, the payment date was extended to December 31, 2008. In December 2008, the payment date was extended to December 31, 2010. The balance due will be reduced by \$1,000 for each staff position created by Rabiner Treatment Center at the facility. Because the exact amount to be paid to the County is not known, a receivable has not been included in the County's financial statements at June 30, 2008.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

Note 9. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$272,426, \$256,197 and \$248,384, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Kossuth County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2008 were \$237,677.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2008

Note 10. Risk Management (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$20,000 (\$50,000 for certain employees), respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Employee Health Insurance Plan

The Internal Service, Self Insurance Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Blue Cross and Blue Shield of Iowa. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Under a separate co-insurance plan, the County reimburses employees for a portion of the deductible. The amount of the deductibles for employees and the County are as follows:

	<u>Single</u>	<u>Family</u>
Employee	\$ 250	\$ 500
County	<u>250</u>	<u>500</u>
	<u>\$ 500</u>	<u>\$ 1,000</u>

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 11. Employee Health Insurance Plan (continued)

Monthly payments of service fees and plan contributions to the Self Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross and Blue Shield from the Self Insurance Fund. The County's contribution to the fund for the year ended June 30, 2008 was \$1,363,144.

Amounts payable from the Self Insurance Fund at June 30, 2008 total \$175,716, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$2,214,407 at June 30, 2008 and is reported as net assets of the Self Insurance Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2007	\$ 179,695
Incurred claims (including claims incurred but not reported at June 30, 2008)	746,676
Payments	<u>750,655</u>
Unpaid claims at June 30, 2008	\$ <u><u>175,716</u></u>

Note 12. Construction Commitment

The County has entered into a contract totaling \$193,072 for a sealcoat project. As of June 30, 2008, work had not yet begun on the project.

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Required Supplementary Information

KOSSUTH COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2008

	Actual	Less Funds not Required to be Budgeted	Net
RECEIPTS:			
Property and other County tax	\$ 7,499,600	\$ -	\$ 7,499,600
Interest and penalty on property tax	40,210	-	40,210
Intergovernmental	6,084,959	-	6,084,959
Licenses and permits	29,922	-	29,922
Charges for service	650,553	-	650,553
Use of money and property	516,810	-	516,810
Miscellaneous	604,300	327,371	276,929
Total receipts	<u>15,426,354</u>	<u>327,371</u>	<u>15,098,983</u>
DISBURSEMENTS:			
Public safety and legal services	2,354,592	-	2,354,592
Physical health and social services	343,274	-	343,274
Mental health	2,085,341	-	2,085,341
County environment and education	771,162	-	771,162
Roads and transportation	5,816,924	-	5,816,924
Government services to residents	625,133	-	625,133
Administration	1,461,627	-	1,461,627
Non-program	67,539	-	67,539
Debt service	403,754	296,871	106,883
Capital projects	2,096,951	405,507	1,691,444
Total disbursements	<u>16,026,297</u>	<u>702,378</u>	<u>15,323,919</u>
Excess (deficiency) of receipts over (under) disbursements	(599,943)	(375,007)	(224,936)
Other financing sources, net	<u>416,916</u>	<u>405,506</u>	<u>11,410</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(183,027)	30,499	(213,526)
Balance beginning of year	<u>7,140,289</u>	<u>171,239</u>	<u>6,969,050</u>
Balance end of year	<u>\$ 6,957,262</u>	<u>\$ 201,738</u>	<u>\$ 6,755,524</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net Variance
\$ 7,454,947	\$ 7,554,947	\$ (55,347)
36,000	36,000	4,210
6,014,423	6,026,923	58,036
6,750	6,750	23,172
545,060	550,060	100,493
221,290	221,290	295,520
185,636	185,636	91,293
14,464,106	14,581,606	517,377
2,514,952	2,514,952	160,360
452,397	459,397	116,123
1,986,753	2,086,753	1,412
757,541	772,466	1,304
5,705,000	5,890,000	73,076
680,046	685,046	59,913
1,696,851	1,698,351	236,724
67,669	67,669	130
-	107,000	117
1,508,000	1,844,875	153,431
15,369,209	16,126,509	802,590
(905,103)	(1,544,903)	1,319,967
10,000	10,000	1,410
(895,103)	(1,534,903)	1,321,377
6,025,261	6,969,050	-
\$ 5,130,158	\$ 5,434,147	\$ 1,321,377

KOSSUTH COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2008

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 15,426,354	\$ (20,135)	\$ 15,406,219
Expenditures	16,026,297	243,083	16,269,380
Net	(599,943)	(263,218)	(863,161)
Other financing sources, net	416,916	-	416,916
Beginning fund balances	7,140,289	(247,347)	6,892,942
Ending fund balances	<u>\$ 6,957,262</u>	<u>\$ (510,565)</u>	<u>\$ 6,446,697</u>

See accompanying independent auditor's report.

KOSSUTH COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, proprietary funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$757,300. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any County function.

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Other Supplementary Information

KOSSUTH COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Water's Edge Nature Center
Assets				
Cash and pooled investments	\$ 32,473	\$ 9,710	\$ 72,954	\$ 44,608
Receivables:				
Accounts	1,028	-	401	-
Accrued interest	913	546	-	3,491
Drainage assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 34,414</u>	<u>\$ 10,256</u>	<u>\$ 73,355</u>	<u>\$ 48,099</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 3,253	\$ -
Deferred revenue:				
Other	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>3,253</u>	<u>-</u>
Fund balances:				
Reserved for:				
Drainage warrants	-	-	-	-
Unreserved	34,414	10,256	70,102	48,099
Total fund balances	<u>34,414</u>	<u>10,256</u>	<u>70,102</u>	<u>48,099</u>
Total liabilities and fund balances	<u>\$ 34,414</u>	<u>\$ 10,256</u>	<u>\$ 73,355</u>	<u>\$ 48,099</u>

See accompanying independent auditor's report.

<u>Special Response Team</u>	<u>DARE Program</u>	<u>Drug Forfeiture</u>	<u>County Attorney Collections</u>	<u>Drainage Districts</u>	<u>Total</u>
\$ 409	\$ 657	\$ 5,114	\$ 3,017	\$ 201,738	\$ 370,680
-	-	-	-	-	1,429
-	-	-	-	-	4,950
-	-	-	-	41,167	41,167
-	-	-	5,086	-	5,086
<u>\$ 409</u>	<u>\$ 657</u>	<u>\$ 5,114</u>	<u>\$ 8,103</u>	<u>\$ 242,905</u>	<u>\$ 423,312</u>
\$ -	\$ -	\$ -	\$ -	\$ 36,419	\$ 39,672
-	-	-	-	41,167	41,167
-	-	-	-	77,586	80,839
-	-	-	-	56,010	56,010
409	657	5,114	8,103	109,309	286,463
409	657	5,114	8,103	165,319	342,473
<u>\$ 409</u>	<u>\$ 657</u>	<u>\$ 5,114</u>	<u>\$ 8,103</u>	<u>\$ 242,905</u>	<u>\$ 423,312</u>

KOSSUTH COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Water's Edge Nature Center
Revenues:				
Intergovernmental	\$ -	\$ 18,421	\$ -	\$ -
Charges for service	4,123	-	-	-
Use of money and property	913	546	-	3,491
Miscellaneous	-	-	72,432	6,450
Total revenues	<u>5,036</u>	<u>18,967</u>	<u>72,432</u>	<u>9,941</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Government services to residents	5,000	-	-	-
Debt service	-	-	30,000	76,883
Capital projects	-	19,292	37,169	-
Total expenditures	<u>5,000</u>	<u>19,292</u>	<u>67,169</u>	<u>76,883</u>
Excess (deficiency) of revenues over (under) expenditures	36	(325)	5,263	(66,942)
Other financing sources (uses):				
Interfund transfers in	-	-	30,000	115,041
Interfund transfers out	-	-	-	-
Drainage warrants issued	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>115,041</u>
Net change in fund balances	36	(325)	35,263	48,099
Fund balances beginning of year	<u>34,378</u>	<u>10,581</u>	<u>34,839</u>	<u>-</u>
Fund balances end of year	<u>\$ 34,414</u>	<u>\$ 10,256</u>	<u>\$ 70,102</u>	<u>\$ 48,099</u>

See accompanying independent auditor's report.

					Capital Projects		
Special Response Team	DARE Program	Drug Forfeiture	County Attorney Collections	Drainage Districts	Nature Center Project	Total	
\$ -	\$ -	\$ -	8,103	\$ -	\$ -	26,524	
-	-	-	-	-	-	4,123	
-	-	-	-	-	-	4,950	
-	2,230	-	-	327,371	121,523	530,006	
-	2,230	-	8,103	327,371	121,523	565,603	
-	3,421	-	-	-	-	3,421	
-	-	-	-	-	-	5,000	
-	-	-	-	296,871	-	403,754	
-	-	-	-	396,089	253,297	705,847	
-	3,421	-	-	692,960	253,297	1,118,022	
-	(1,191)	-	8,103	(365,589)	(131,774)	(552,419)	
-	-	-	-	-	-	145,041	
-	-	-	-	-	(115,041)	(115,041)	
-	-	-	-	405,506	-	405,506	
-	-	-	-	405,506	(115,041)	435,506	
-	(1,191)	-	8,103	39,917	(246,815)	(116,913)	
409	1,848	5,114	-	125,402	246,815	459,386	
\$ 409	\$ 657	\$ 5,114	\$ 8,103	\$ 165,319	\$ -	\$ 342,473	

KOSSUTH COUNTY
 COMBINING SCHEDULE OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2008

	Self Insurance	Employee Flexible Benefit Plan	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 2,325,618	\$ 6,766	\$ 2,332,384
Receivables:			
Accrued interest	64,505	-	64,505
Total assets	<u>2,390,123</u>	<u>6,766</u>	<u>2,396,889</u>
Liabilities			
Current liabilities:			
Accounts payable	60,545	-	60,545
Incurred but not reported claims	115,171	-	115,171
Total liabilities	<u>175,716</u>	<u>-</u>	<u>175,716</u>
Net Assets			
Unrestricted	<u>\$ 2,214,407</u>	<u>\$ 6,766</u>	<u>\$ 2,221,173</u>

See accompanying independent auditor's report.

KOSSUTH COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2008

	Self Insurance	Employee Flexible Benefit Plan	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,363,144	\$ -	\$ 1,363,144
Reimbursements from employees and others	13,173	52,842	66,015
Total operating revenues	<u>1,376,317</u>	<u>52,842</u>	<u>1,429,159</u>
Operating expenses:			
Governmental activities:			
Medical claims	750,655	52,926	803,581
Administrative and network access fees	54,127	-	54,127
Stop-loss premiums	143,441	-	143,441
Total operating expenses	<u>948,223</u>	<u>52,926</u>	<u>1,001,149</u>
Operating income (loss)	428,094	(84)	428,010
Non-operating revenues:			
Interest income	<u>105,170</u>	-	<u>105,170</u>
Net income (loss)	533,264	(84)	533,180
Net assets beginning of year	<u>1,681,143</u>	6,850	<u>1,687,993</u>
Net assets end of year	<u>\$ 2,214,407</u>	<u>\$ 6,766</u>	<u>\$ 2,221,173</u>

See accompanying independent auditor's report.

KOSSUTH COUNTY
COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2008

	Self Insurance	Employee Flexible Benefit Plan	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 1,363,144	\$ -	\$ 1,363,144
Cash received from employees and others	13,173	52,842	66,015
Cash paid to suppliers for services	(952,202)	(52,926)	(1,005,128)
Net cash provided by (used by) operating activities	<u>424,115</u>	<u>(84)</u>	<u>424,031</u>
Cash flows from investing activities:			
Interest on investments	63,902	-	63,902
Redemption of investments	1,040,252	-	1,040,252
Purchase of investments	(1,340,806)	-	(1,340,806)
Net cash used by investing activities	<u>(236,652)</u>	<u>-</u>	<u>(236,652)</u>
Net increase (decrease) in cash and cash equivalents	187,463	(84)	187,379
Cash and cash equivalents at beginning of year	<u>283,248</u>	<u>6,850</u>	<u>290,098</u>
Cash and cash equivalents at end of year	<u>\$ 470,711</u>	<u>\$ 6,766</u>	<u>\$ 477,477</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ 428,094	\$ (84)	\$ 428,010
Adjustment to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Increase in accounts payable	137	-	137
(Decrease) in incurred but not reported claims	(4,116)	-	(4,116)
Net cash provided by (used by) operating activities	<u>\$ 424,115</u>	<u>\$ (84)</u>	<u>\$ 424,031</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:			
Current assets:			
Cash and pooled investments	\$ 2,325,618	\$ 6,766	\$ 2,332,384
Less items not meeting the definition of a cash equivalent:			
Certificates of deposit	<u>(1,854,907)</u>	<u>-</u>	<u>(1,854,907)</u>
Cash and cash equivalents at end of year	<u>\$ 470,711</u>	<u>\$ 6,766</u>	<u>\$ 477,477</u>

See accompanying independent auditor's report.

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KOSSUTH COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2008

	<u>County Offices</u>		Agricultural	County
	<u>County</u>	<u>County</u>	<u>Extension</u>	<u>Assessor</u>
	<u>Recorder</u>	<u>Sheriff</u>	<u>Education</u>	
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	1,514	\$ 166,555
Other County officials	34,425	8,684	-	-
Receivables:				
Property tax:				
Delinquent	-	-	148	574
Succeeding year	-	-	71,000	274,000
Accounts	-	-	-	7
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Drainage assessments	-	-	-	-
Total assets	<u>\$ 34,425</u>	<u>\$ 8,684</u>	<u>\$ 72,662</u>	<u>\$ 441,136</u>
LIABILITIES				
Accounts payable	\$ 34,115	\$ -	\$ -	5,756
Salaries and benefits payable	-	-	-	22
Due to other governments	310	-	72,662	419,789
Trusts payable	-	8,684	-	-
Drainage warrants payable	-	-	-	-
Compensated absences	-	-	-	15,569
Total liabilities	<u>\$ 34,425</u>	<u>\$ 8,684</u>	<u>\$ 72,662</u>	<u>\$ 441,136</u>

<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>City Special Assessments</u>
\$ 230,654	\$ 13,014	\$ 46,683	\$ 6,899	\$ 6,017	\$ 62	\$ 862
-	-	-	-	-	-	-
22,447	1,361	17,552	316	589	6	-
11,312,000	644,000	3,619,000	299,000	281,000	3,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	53,821
-	-	-	-	-	-	-
<u>\$ 11,565,101</u>	<u>\$ 658,375</u>	<u>\$ 3,683,235</u>	<u>\$ 306,215</u>	<u>\$ 287,606</u>	<u>\$ 3,068</u>	<u>\$ 54,683</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
11,565,101	658,375	3,683,235	306,215	287,606	3,068	54,683
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 11,565,101</u>	<u>\$ 658,375</u>	<u>\$ 3,683,235</u>	<u>\$ 306,215</u>	<u>\$ 287,606</u>	<u>\$ 3,068</u>	<u>\$ 54,683</u>

KOSSUTH COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2008

	Auto License and Use Tax	Drainage Districts	Civil Defense	E-911 Surcharge
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 316,320	\$ 53,303	\$ 16,618	\$ 135,619
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	18,066
Accrued interest	-	-	-	704
Special assessments	-	-	-	-
Drainage assessments	-	533,666	-	-
Total assets	<u>\$ 316,320</u>	<u>\$ 586,969</u>	<u>\$ 16,618</u>	<u>\$ 154,389</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 400	\$ 1,664
Salaries and benefits payable	-	-	754	48
Due to other governments	316,320	355,474	10,968	152,677
Trusts payable	-	-	-	-
Drainage warrants payable	-	231,495	-	-
Compensated absences	-	-	4,496	-
Total liabilities	<u>\$ 316,320</u>	<u>\$ 586,969</u>	<u>\$ 16,618</u>	<u>\$ 154,389</u>

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee	Advance Tax	Total
\$ 768	\$ 2,686	\$ 997,574
-	-	43,109
-	-	42,993
-	-	16,503,000
-	-	18,073
-	-	704
-	-	53,821
-	-	533,666
<u>\$ 768</u>	<u>\$ 2,686</u>	<u>\$ 18,192,940</u>
\$ -	\$ -	\$ 41,935
-	-	824
768	-	17,887,251
-	2,686	11,370
-	-	231,495
-	-	20,065
<u>\$ 768</u>	<u>\$ 2,686</u>	<u>\$ 18,192,940</u>

KOSSUTH COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2008

	County Offices			Agricultural
	County Recorder	County Sheriff	Central Point of Coordination	Extension Education
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 39,590	\$ 11,897	\$ 466	\$ 71,632
Additions:				
Property and other County tax	-	-	-	70,740
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	4,589
Payments in lieu of taxes	-	-	-	135
Office fees and collections	370,016	143,061	-	-
Auto license, use tax, drivers license and postage	-	-	-	-
Assessments	-	-	-	-
Interest	-	-	-	-
Trusts	-	110,126	5,406	-
Miscellaneous	-	-	-	-
Total additions	370,016	253,187	5,406	75,464
Deductions:				
Agency remittances:				
To other funds	169,017	142,575	-	-
To other governments	206,164	486	-	74,434
Trusts paid out	-	113,339	5,872	-
Assessments cancelled	-	-	-	-
Total deductions	375,181	256,400	5,872	74,434
Balances end of year	\$ 34,425	\$ 8,684	\$ -	\$ 72,662

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ <u>458,516</u>	\$ <u>10,291,992</u>	\$ <u>615,319</u>	\$ <u>3,287,070</u>	\$ <u>287,910</u>	\$ <u>283,485</u>	\$ <u>3,075</u>
273,719	11,340,159	643,594	3,584,937	299,424	281,102	2,860
-	-	-	-	-	-	-
16,761	634,408	39,414	200,809	18,871	18,236	188
493	18,008	1,170	310	792	536	6
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,250	-	-	-	-	-	-
<u>293,223</u>	<u>11,992,575</u>	<u>684,178</u>	<u>3,786,056</u>	<u>319,087</u>	<u>299,874</u>	<u>3,054</u>
-	-	-	-	-	-	-
310,603	10,719,466	641,122	3,389,891	300,782	295,753	3,061
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>310,603</u>	<u>10,719,466</u>	<u>641,122</u>	<u>3,389,891</u>	<u>300,782</u>	<u>295,753</u>	<u>3,061</u>
\$ <u>441,136</u>	\$ <u>11,565,101</u>	\$ <u>658,375</u>	\$ <u>3,683,235</u>	\$ <u>306,215</u>	\$ <u>287,606</u>	\$ <u>3,068</u>

KOSSUTH COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2008

	City Special Assessments	Auto License and Use Tax	Drainage Districts	Civil Defense
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 46,311	\$ 354,732	\$ 343,038	\$ 17,102
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	-	4,516,540	-	-
Assessments	13,910	-	4,312	-
Interest	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	44,230	37,763
Total additions	13,910	4,516,540	48,542	37,763
Deductions:				
Agency remittances:				
To other funds	-	172,123	-	-
To other governments	5,538	4,382,829	36,003	38,247
Trusts paid out	-	-	-	-
Assessments cancelled	-	-	103	-
Total deductions	5,538	4,554,952	36,106	38,247
Balances end of year	\$ 54,683	\$ 316,320	\$ 355,474	\$ 16,618

See accompanying independent auditor's report.

<u>E-911 Surcharge</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>Total</u>
\$ <u>103,417</u>	\$ <u>413</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>16,215,965</u>
-	-	-	-	16,496,535
157,906	-	-	-	157,906
-	-	-	-	933,276
-	-	-	-	21,450
-	4,172	-	-	517,249
-	-	-	-	4,516,540
-	-	-	-	18,222
3,422	-	-	-	3,422
-	-	2,686	109,138	227,356
578	-	-	-	84,821
<u>161,906</u>	<u>4,172</u>	<u>2,686</u>	<u>109,138</u>	<u>22,976,777</u>
-	-	-	-	483,715
110,934	3,817	-	-	20,519,130
-	-	-	109,138	228,349
-	-	-	-	103
<u>110,934</u>	<u>3,817</u>	<u>-</u>	<u>109,138</u>	<u>21,231,297</u>
\$ <u>154,389</u>	\$ <u>768</u>	\$ <u>2,686</u>	\$ <u>-</u>	\$ <u>17,961,445</u>

KOSSUTH COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues:				
Property and other County tax	\$ 7,493,247	\$ 7,666,342	\$ 7,576,865	\$ 7,803,670
Interest and penalty on property tax	40,243	39,530	46,499	44,482
Intergovernmental	6,080,176	6,007,002	6,266,103	6,142,002
Licenses and permits	29,902	7,785	7,400	5,380
Charges for service	674,552	610,259	596,673	604,716
Use of money and property	478,890	361,022	412,230	900,243
Miscellaneous	609,209	690,931	672,894	456,074
Total	<u>\$ 15,406,219</u>	<u>\$ 15,382,871</u>	<u>\$ 15,578,664</u>	<u>\$ 15,956,567</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,348,764	\$ 2,332,588	\$ 2,290,873	\$ 2,362,163
Physical health and social services	344,962	350,398	364,265	331,501
Mental health	2,258,834	2,167,352	2,045,768	1,936,360
County environment and education	774,854	721,554	652,165	614,154
Roads and transportation	5,973,032	5,449,439	5,470,796	5,200,058
Government services to residents	625,926	592,362	697,018	702,475
Administration	1,468,335	1,461,804	1,403,489	1,349,743
Non-program	67,539	61,572	59,806	61,364
Debt service	403,754	341,618	600,342	1,435,788
Capital projects	2,003,380	2,075,484	1,701,461	2,188,798
Total	<u>\$ 16,269,380</u>	<u>\$ 15,554,171</u>	<u>\$ 15,285,983</u>	<u>\$ 16,182,404</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Kossuth County:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Kossuth County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kossuth County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kossuth County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kossuth County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Kossuth County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Kossuth County's financial statements that is more than inconsequential will not be prevented or detected by Kossuth County's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Kossuth County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kossuth County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Kossuth County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Kossuth County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Kossuth County and other parties to whom Kossuth County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Kossuth County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
March 30, 2009

KOSSUTH COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Treasurer

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

Response –

County Treasurer – We will try to segregate duties to the extent present staff size allows.

Conclusion – Response accepted.

KOSSUTH COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part I: Findings Related to the Basic Financial Statements (continued):

SIGNIFICANT DEFICIENCIES (continued):

- I-B-08 County Treasurer Bank Reconciliations – Bank reconciliations were tied to the daily cash book but were not tied to the general ledger, and variances were not adequately resolved. At June 30, 2008, the book balance was \$4,661 greater than the bank balance.

Recommendation – Bank reconciliations should be tied to the general ledger on a monthly basis. Any variances should be investigated and timely resolved.

Response – We will make an effort to reconcile bank accounts to the general ledger as well as the daily cash book and will resolve the variances.

Conclusion – Response accepted.

- I-C-08 Disbursements – Out of forty disbursements tested, two were not supported by an invoice or receipt at the time of payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation at the time of payment.

Response – We will make sure that all future disbursements are properly supported at the time of payment.

Conclusion – Response accepted.

- I-D-08 County Extension Office Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Extension Office's financial records. Generally, one individual in the County Extension Office may have control over receipt collecting, recording, depositing and bank reconciling for which no compensating controls exist. In addition, incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Agricultural Extension Council should review the operating procedures of its office to obtain the maximum internal control possible under the circumstances. The Council should utilize current personnel to provide additional control through review of financial transactions and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The Extension Office process will be reviewed to be certain all checks from the mail or walk-ins are listed with check numbers in the receipt book. The duty of opening incoming mail will be rotated among staff as much as possible. Bank accounts will be reconciled by staff who do not sign checks.

Conclusion – Response accepted.

KOSSUTH COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted in any County function or the amounts appropriated in any department.
- II-B-08 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-08 Business Transactions – Business transactions between the County and County officials or employees were detailed as follows:

Name, Title and Business Connection	Description	Amount
Norma Ruhnke, Auditor’s Office, Sons are owners of Ruhnke Brothers	Fuel and repairs	\$7,767

In accordance with Chapter 331.342(4) of the Code of Iowa, the above transaction does not appear to represent a conflict of interest since the employee’s remuneration for employment is not directly affected as a result of the contract and the duties of employment do not directly involve procurement or preparation of any part of the contract.

- II-E-08 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-F-08 Board Minutes – We noted three interfund transfers that were not approved in the Board minutes.

Recommendation – All interfund transfers should be approved by the Board in accordance with Chapter 331.432(4) of the Code of Iowa.

Response – These transfers were for closing the Capital Projects Fund to the new nature center fund and for the landfill postclosure costs as calculated in the landfill financial assurance annual report. We will make sure that the Board approves all transfers in the future. We are now approving these annual landfill transfers for fiscal year 2009.

Conclusion – Response accepted.

- II-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-H-08 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

KOSSUTH COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-I-08 Solid Waste Fees Retained – During the year ended June 30, 2008, the County used or retained the solid waste fees in accordance with Chapters 455B.310(3) and (4) of the Code of Iowa.
- II-J-08 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.
- Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.
- II-K-08 Financial Assurance – The Kossuth County Landfill has demonstrated financial assurance for closure and postclosure care costs through the local government financial test mechanism as provided in Section 567, Chapter 113.14 of the Iowa Administrative Code. The Landfill has adequately demonstrated proof of financial assurance compliance. However, this financial assurance report is due on April 1 but was not filed until May 1.
- Recommendation – The financial assurance report should be filed in a timely manner in the future.
- Response – We did not receive final audited figures for the landfill until April, 2008. We will try to file this report as timely as possible in the future.
- Conclusion – Response accepted.
- II-L-08 Transfer Station – The Kossuth County Transfer Station did not maintain a copy of its plan of operation on site as required by Section 567, Chapter 106.13 of the Iowa Administrative Code.
- Recommendation – A copy of the plan of operation should be maintained on site at the transfer station.
- Response – We will keep a copy of the plan of operation on site in the future.
- Conclusion – Response accepted.
- II-M-08 Financial Condition – The Special Revenue, Mental Health Fund had a negative fund balance of \$359,741 at June 30, 2008.
- Recommendation – The County needs to investigate alternatives to return the Mental Health Fund to a sound financial condition.
- Response – We have addressed this situation by increasing the mental health property tax levy from \$.83/1,000 to \$1.25/1,000.
- Conclusion – Response accepted.

KOSSUTH COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-N-08 Credit Card Policy – The County has credit cards issued in the County’s name for use by County employees. However, the County does not have a written policy regarding credit card usage.

Recommendation – The County should adopt and implement a credit card usage policy.

Response – We will consider adopting such a policy.

Conclusion – Response accepted.

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